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NATIONAL HEALTH SERVICE CORPS AMENDMENTS OF 1985

JULY 15, 1985.—Ordered to be printed

Mr. HATCH, from the Committee on Labor and Human Resources, submitted the following

REPORT

[To accompany S. 1285]

The Committee on Labor and Human Resources, to which was referred the bill (S. 1285) to amend provisions of the Public Health Service Act relating to the National Health Service Corps, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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I. SUMMARY OF THE BILL

EXTENSION OF NATIONAL HEALTH SERVICE CORPS (NHSC) AUTHORITIES

S. 1285 extends the authorities for the NHSC field and scholarship programs. It authorizes for the field program $70 million for fiscal year 1986 and $65 million for fiscal year 1987, and $60 million for fiscal year 1988; and for the NHSC scholarship program, such sums as necessary to make 150 new scholarships for each of the fiscal years 1986 through 1988 and to continue awards to students who entered the scholarship program before October 1, 1988.

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In addition, the bill eliminates the requirement that 90 percent of appropriations be devoted to scholarships for medical osteopathic, and dental students and 10 percent of this 90 percent be obligated for scholarships for dental students.

DESIGNATION OF HEALTH MANPOWER SHORTAGE AREAS

S. 1285 prohibits the Secretary of HHS from removing the designation of a geographic area as a Health Manpower Shortage Area until interested persons and groups in the area have had notice of the area dedesignation and an opportunity to provide data in support of the designation of a population group or facility in the area.

SCHOLARSHIP PROGRAM

S. 1285 adds a new requirement that the maximum amount of a NHSC scholarship not exceed $15,000 for the school year ending in FY 1986, adjusted by the Secretary in subsequent years for increases in tuition as measured by a tuition increase index. The tuition increase index for a course of study or program for a school year is the estimated percentage (determined by the Secretary) by which the average tuition for the course of study or program at all institutions in the U.S. will increase over the average tuition for the immediately preceding school year.

OBLIGATED SERVICE

The bill revises current law provisions which require the Secretary to defer the beginning date of an NHSC scholarship recipient's obligated service to allow the participant to undertake internship, residency, or other advanced clinical training. The bill provides the Secretary greater flexibility to select for those persons who receive their first NHSC scholarships in fiscal year 1986 which residency and clinical training programs they may participate in while deferring their service obligation.

PRIVATE PRACTICE

The bill clarifies the authority of the NHSC to maintain its "Health Manpower Shortage Area Placement Opportunity List," and to restrict NHSC obligees under the private practice option to serving in the listed high priority areas. It also directs the Secretary to take appropriate action to assure that NHSC providers, who serve under the private practice option, meet the conditions of their agreement with the NHSC, including, among others, the requirement that the NHSC provides some Medicare and Medicaid recipients and not discriminate against patients on the basis of their ability to pay for services.

SPECIAL LOANS FOR CORPS MEMBERS TO ENTER PRIVATE PRACTICE

The Committee's bill consolidates into a single loan program current law authorities which provide assistance to Corps members and former Corps members for meeting the costs of beginning private practices in health manpower shortage areas. The bill authorizes the Secretary to make one loan, not to exceed $25,000, to: (1) persons who will fulfill their service obligation through the private

practice option (PPO) in a health manpower shortage area (including those who will begin their service under the PPO as well as those who wish to convert to PPO after having begun their service as a Federal employee); (2) persons who have completed their service obligation and who will enter into private practice in a health manpower shortage area not later than one year after the completion of obligated service; and (3) volunteers who never received a NHSC scholarship and who wish to enter into private practice in a health manpower shortage area. Loans could be used for the costs of beginning a practice, including the costs associated with acquiring equipment and renovating facilities for use in providing health services as well as the costs of hiring nurses and other personnel. Loans could not be used for the purchase or construction of any building.

PERSONNEL PLAN FOR THE NHSC

The bill requires the Secretary to prepare and transmit by October 1, 1986, to the Senate Committee on Labor and Human Resources and the House Committee on Energy and Commerce, a plan for the recruitment, employment, and retention of personnel for the NHSC which assures that: (1) the Corps will continue to improve the delivery of health services in health manpower shortage areas during FY 1989 through 1992; and (2) during each such fiscal year, the total number of Corps members shall be the number the Secretary considers necessary to serve the demonstrated needs of health manpower shortage areas. The plan would be required to include alternative proposals for the recruitment, employment, and retention of personnel for the NHSC, estimates of the amounts that would be required to carry out each proposal during each fiscal year with which the plan is concerned, and such recommendations for legislation and administrative action as the Secretary considers appropriate. The bill also requires the Secretary to prepare the plan is consultation with State governments, voluntary organizations and organizations representing health professions.

TECHNICAL ASSISTANCE TO STATES

In order to assist States in carrying out data collection and public information activities for making recommendations regarding the designation of health manpower shortage areas in the State, the bill authorizes the Secretary to provide technical assistance of an appropriate nature to the State or, at the request of the State, to entities withing the State. Such technical assistance may be provided through grants, contracts, or cooperative agreements. The bill authorizes for this technical assistance $500,000 for FY 1986, and for each of the two succeeding fiscal years.

II. Background and Need for Legislation

In 1970, Congress enacted P.L. 91-623, the Emergency Health Personnel Act, which amended Title III of the Public Health Service (PHS) Act to authorize a program for PHS health personnel to volunteer their services in health manpower shortage areas. This legislation was enacted to address problems stemming from the

uneven geographic distribution of health professionals in the United States and the resulting inadequate access to health care services for many areas.

The Emergency Health Personnel Act Amendments in 1972, P.L. 92-585, officially established the National Health Service Corps (NHSC) as a defined unit within the Public Health Service for the purpose of implementing the 1970 Emergency Health Personnel Act. Specifically, the NHSC, staffed by officers of the Public Health Service and other personnel as required by the Secretary of Health and Human Services, was established to provide health care services to persons residing in health manpower shortage areas through the placement in those areas of health professionals and health care resources. As of December 31, 1984, the Department of Health and Human Services (DHHS) has designated 1,836 primary health care shortage areas, 959 dental shortage areas, and 273 vision care shortage areas.

The NHSC assists communities in health manpower shortage areas to develop NHSC sites, to recruit and assign NHSC health professionals to these sites, and to establish and maintain health care delivery systems. Helath professionals may be assigned to NHSC sites either as federally employed practitioners or as private practitioners under the private practice option (PPO) and private placement (PP) assignments. PPO providers are employed in non-grant funded settings which provided an income on a fee-for-service or salaried basis. PP providers differ in that they have a guaranteed salary and are employed by an entity that receives grant support from the Community Health Center and/or Migrant Health programs.

In 1985, there will be approximately 400 Federal NHSC sites and 1,635 PPO/PP sites staffed by NHSC health providers. For FY 1986, Federal sites are expected to decrease to 345 and PPO/PP sites to increase to 1968. In that year, there are expected to be 385 physicians, 110 dentists, and 75 other health professionals for a total of 570 Federal field personnel. In addition to these federally salaried personnel, 2,937 other health professionals will be providing services through the private practice option in FY 1986.

The 1972 Act (P.L. 92-585) also established a NHSC scholarship program to obtain health professionals for placement in health manpower shortage areas. Under this program, health professions students agree to serve in a health manpower shortage area in return for scholarship and stipend support. For each year that a scholarship is received, students must agree to serve in a health manpower shortage area for one year, with a minimum service obligation of two years. The scholarship recipient is required to fulfill his service obligation through the full-time clinical practice of his profession either as a commissioned officer in the Regular or Reserve Corps of the Public Health Service (after a finding that he or she is qualified) or as a civilian member of the Corps; or, at the discretion of the individual, in private practice in a designated health manpower shortage area.

In FY 1986 the NHSC will have 1,414 scholarship recipients newly available for service. Of this total, 120 are expected to be placed in the NHSC Federal field program, 190 in the PPO, and 974 in the PP. These assignments will be in existing sites where

current appointments of NHSC-placed health professionals will terminate, in newly integrated of freestanding health care delivery systems, or in State institutions. An additional 130 newly available scholarship recipients will be placed in facilities of the Indian Health Service.

In addition to these assignment and placement activities, the NHSC operates a community loan program under which the governing boards of freestanding NHSC sites may be provided loans to assist them in the initial development and operation of health care facilities in which NHSC providers are being placed. A one-time loan for a maximum of $50,000 may be made to communities which do not receive health services project grant support. In FY 1984, 5 loans were awarded for a total of $84,000. For FY 1985, DHHS estimates that $500,000 will be available for community site loans.

In addition to these site loans, the NHSC provides private practice loans to NHSC scholarship recipients to assist them in meeting the cost of establishing private practices in shortage areas. In FY 1984, 42 loans at an average of $11,904 each were provided under this loan program for a total of $500,000. For FY 1984, DHHS estimates $500,000 will be available.

A budget history of appropriations for the NHSC field and scholarship programs follows.

FISCAL YEAR 1982–85 APPROPRIATIONS FOR THE NATIONAL HEALTH SERVICE CORPS

(In thousands of dollars)

	Fiscal years—			
	1982	1983	1984	1985
NHSC field program	95,078	88,591	68,152	75,000
NHSC scholarship program	36,358	15,842	6,300	2,300
Total	131,436	104,433	74,452	77,300

The expiring NHSC field and scholarship program authorities were last extended in 1981 by P.L. 97–35, the Omnibus Budget Reconciliation Act. Among other things, this enactment included amendments to NHSC authorities which reduced the number of new scholarships which could be awarded in any one year; which strengthened the private practice option; which required a re-evaluation of the health manpower shortage area (HMSA) designation process; and which required the Secretary to notify appropriate entitites in an area of possible designation as a HMSA.

III. History of S. 1285

A bill, S. 1285, to revise and extend provisions of the Public Health Service Act relating to the National Health Service Corps was introduced by Senator Hatch on June 12, 1985, and was referred to the Committee on Labor and Human Resources. Based on hearings held in the 98th Congress, the Committee did not believe additional hearings were needed. Legislation of the 98th Congress was redrafted pursuant to administrative recommendations and to achieve committee consensus. The bill was reported on June 27, 1985.

IV. Text of S. 1285 as Reported

A BILL To amend provisions of the Public Health Service Act relating to the National Health Service Corps

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Health Service Corps Amendments of 1985".

REFERENCE

SEC. 2. Except as otherwise specifically provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or a repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Public Health Service Act.

AUTHORIZATIONS OF APPROPRIATIONS

SEC. 3. (a) Section 338(a) is amended by striking out "and" after "1983;" and by inserting before the period a semicolon and "$70,000,000 for the fiscal year ending September 30, 1986; $65,000,000 for the fiscal year ending September 30, 1987; and $60,000,000 for the fiscal year ending September 30, 1988".

(b) Section 338F is amended—

(1) by striking out the last sentence of subsection (a) and inserting in lieu thereof the following: "For the fiscal year ending September 30, 1986, and each of the two succeeding fiscal years, there are authorized to be appropriated such sums as may be necessary to make 150 new scholarship awards in accordance with section 338A(d) in each such fiscal year and to continue to make scholarship awards to students who have entered into written contracts under the Scholarship Program before October 1, 1988.";

(2) by striking out subsection (b); and

(3) by striking out "(a)" before "There".

DESIGNATION OF HEALTH MANPOWER SHORTAGE AREAS

SEC. 4. Section 332(a)(1) is amended by adding at the end thereof the following: "The Secretary shall not remove an area from the areas determined to be health manpower shortage areas under clause (A) of the preceding sentence until the Secretary has afforded interested persons and groups in such area an opportunity to provide data and information in support of the designation as a health manpower shortage area of a population group described in clause (B) of such sentence or a facility described in clause (C) of such sentence, and has made a determination on the basis of the data and information submitted by such persons and groups and other data and information available to the Secretary.".

SCHOLARSHIP PROGRAM

SEC. 5. Section 338A(g) is amended—

(1) by striking out "A scholarship" in paragraph (1) and inserting in lieu thereof "Except as provided in paragraph (4), a scholarship"; and

(2) by adding at the end thereof the following new paragraph:

"(4)(A) Notwithstanding any other provision of this subsection, the maximum total amount of a scholarship provided to a student in a course of study or program under a written contract under the Scholarship Program may not exceed $15,000 for the school year ending in the fiscal year ending September 30, 1986.

"(B) The maximum total amount of a scholarship which may be provided to a student in a course of study or program, as specified under subparagraph (A) and as previously adjusted (if at all) in accordance with this subparagraph, shall be increased by the Secretary for each school year ending in a fiscal year beginning after September 30, 1986, by an amount (rounded to the next highest multiple of $1) equal to such maximum total amount multiplied by the tuition increase index for such course of study or program for such school year. For purposes of the preceding sentence, the tuition increase index for a course of study or program for a school year is the estimated percentage (determined by the Secretary) by which the average tuition for such course of study or program at all institutions in the United States for such school year will increase over the average tuition for such course of study or program at all such institutions for the immediate preceding school year.".

OBLIGATED SERVICE

SEC. 6. Section 338B(b)(5) is amended to read as follows:

"(5)(A) With respect to an individual receiving a degree from a school of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, or pharmacy, the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes the training required for such degree, except that—

"(i) at the request of such an individual with whom the Secretary has entered into a contract under section 338A prior to October 1, 1985, the Secretary shall defer such date until the end of the period of time (not to exceed the number of years specified in subparagraph (B) or such greater period as the Secretary, consistent with the needs of the Corps, may authorize) required for the individual to complete an internship, residency, or other advanced clinical training; and

"(ii) at the request of such an individual with whom the Secretary has entered into a contract under section 338A on or after October 1, 1985, the Secretary may defer such date in accordance with the provisions of clause (i).

"(B)(i) With respect to an individual receiving a degree from a school of medicine, osteopathy, or dentistry, the number of years referred to in subparagraph (A)(i) shall be three years.

"(ii) With respect to an individual receiving a degree from a school of veterinary medicine, optometry, podiatry, or pharmacy, the number of years referred to in subparagraph (A)(i) shall be one year.

"(C) No period of internship, residency, or other advanced clinical training shall be counted toward satisfying a period of obligated service under this subpart.

"(D) With respect to an individual receiving a degree from an institution other than a school referred to in subparagraph (A), the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes the academic training leading to such degree.".

PRIVATE PRACTICE

SEC. 7. (a) Section 338C(a)(2) is amended by inserting before the period the following: "for which the Secretary has made the evaluation and determination described in section 333(a)(1)(D)".

(b) Section 338C(b) is amended by inserting at the end thereof the following: "The Secretary shall take such action as may be appropriate to assure that the conditions of the written agreement prescribed by this subsection are adhered to.".

SPECIAL LOANS FOR CORPS MEMBERS TO ENTER PRIVATE PRACTICE

SEC. 8. (a) Subsections (a) and (b) of section 338E are amended to read as follows:

"(a) The Secretary may, out of appropriations authorized under section 338, make one loan to a Corps member who has agreed in writing—

"(1) to engage in the private full-time clinical practice of the professional of such Corps member in a health manpower shortage area (designated under section 332) for a period of not less than two years which—

"(A) in the case of a Corps member who is required to complete a period of obligated service under this subpart, begins not later than one year after the date on which such individual completes such period of obligated service; and

"(B) in the case of an individual who is not required to complete a period of obligated service under this subpart, begins at such time as the Secretary considers appropriate;

"(2) to conduct such practice in accordance with the provisions of section 338C(b)(1); and

"(3) to such additional conditions as the Secretary may require to carry out the purposes of this section.

Such a loan shall be used to assist such individual in meeting the costs of beginning the practice of such individual's profession in accordance with such agreement, including the costs of acquiring equipment and renovating facilities for use in providing health services, and of hiring nurses and other personnel to assist in providing health services. Such loan may not be used for the purchase or construction of any building.

"(b) The amount of a loan under subsection (a) to an individual shall not exceed $25,000.".

(b) Subsection (c) of such section is amended by striking out "grant or" in the first sentence.

(c) Subsection (d)(1) of such section is amended by striking out "this section," and inserting in lieu thereof "this section (as in effect prior to October 1, 1985),".

(d) Section 338C(e) is amended by striking out paragraph (1) and by striking out "(2)" before "Upon".

PERSONNEL PLAN FOR THE NATIONAL HEALTH-SERVICE CORPS

SEC. 9. (a) By October 1, 1986, the Secretary of Health and Human Services shall prepare and transmit to the Committee on Labor and Human Resources of the Senate and the Committee on Energy and Commerce of the House of Representatives a plan for the recruitment, employment, and retention of personnel for the National Health Service Corps which assures that—

(1) the Corps will continue to improve the delivery of health services in health manpower shortage areas (as designated by the Secretary under section 332 of the Public Health Service Act) during fiscal years (1989 through 1992; and

(2) during each such fiscal year, the total number of Corps members shall be the number the Secretary considers necessary to serve the demonstrated needs of health manpower shortage areas.

(b) The plan required by subsection (a) shall include alternative proposals for the recruitment, employment, and retention of personnel for the National Health Service Corps, estimates of the amounts that would be required to carry out each such proposal during each of the fiscal years with which the plan is concerned, and such recommendations for legislation and administrative action as the Secretary considers appropriate.

(c) The Secretary shall prepare the plan required by subsection (a) in consultation with State governments, voluntary organizations, and organizations representing health professionals.

TECHNICAL ASSISTANCE TO STATES

SEC. 10. (a) Section 332 is amended by adding at the end thereof the following new subsection:

"(i) In order to assist a State in carrying out data collection and public information activities to enable the State to make recommendations regarding the designation of health manpower shortage areas in the State, the Secretary may provide technical assistance of an appropriate nature to the State or, at the request of the State, to entities within the State. Such technical assistance may be provided through grants, contracts, or cooperative agreements".

(b) Section 338 (as amended by section 3(a) of this Act) is further amended by adding at the end thereof the following new subsection:

"(c) To carry out the purposes of section 332(i), there are authorized to be appropriated $500,000 for the fiscal year ending September 30, 1986, and for each of the two succeeding fiscal years.".

EFFECTIVE DATE

SEC. 11. This Act and the amendments made by this Act shall take effect on October 1, 1985.

V. Committee Views

GENERAL

The purpose of the National Health Service Corps (NHSC) is "to improve the delivery of health services in health manpower shortage areas." Over the years as societal needs and trends have changed, the NHSC has evolved and matured into a program that is designed to complement private sector recruitment activities in providing primary care health services to the Nation. The focus of the Corps has progressed from a broad target of needy communities, to those areas of greatest need which even with a burgeoning supply of health professionals in the marketplace cannot otherwise recruit them. It has evolved from a program of mainly federally supported providers to one with an increasing number of providers supported by local resources. The Corps has moved from a program driven solely by national perceptions of need, to one which considers state and local priorities to a much greater degree. The Committee is aware that throughout these transitions the NHSC had continued to have an impact on placing health professionals in underserved areas and assuring that areas with a need and demand for health care services receive them. Further, the Committee believes that as a result of these transitions the NHSC is stronger and more effective than ever before.

The major features of the Committee bill are:

(1) reauthorization of the NHSC field and scholarship programs for three years;

(2) an authorization level that will allow the NHSC field program to remain at its current level of federally salaried Corps members in fiscal years 1986–88.

(3) an authorization level sufficient to support 150 new NHSC scholarship in each of fiscal years 1986–88 and the outyear continuation of NHSC scholarship awards made prior to October 1, 1988.

(4) provision of an opportunity for local persons and groups to comment and provide data on the proposed redesignation of a Health Manpower Shortage Area.

(5) an amendment to the NHSC scholarship program that requires that the maximum amount of a NHSC scholarship not exceed $15,000 for the school year ending in FY 1986, adjusted in subsequent years for increases in tuition as measured by a tuition increase index.

(6) for individuals who sign their first NHSC scholarship contract in fiscal year 1986, gives the Secretary of Health and Human Services (HHS) the flexibility to select which residency or advanced clinical training program they may participate in while deferring their scholarship obligation.

(7) provision of a "Health Manpower Shortage Area Placement Opportunity List" by which NHSC obligees under the private practice option woud be restricted to serving in high priority areas.

(8) a revision of two existing loan authorities for loans to Corps members to enter private practice in a health manpower shortage area (HMSA). The bill combines these authorities into

one loan program available to all Corps members (scholarship obligated and volunteers) who will enter into or are currently in private practice in a HMSA. The new loan program also makes loans available to persons who have completed their service obligation and will enter into private practice in a HMSA.

(9) requires the Secretary of HHS, by October 1, 1986, to prepare and transmit a plan for recruitment, employment, and retention of personnel for the NHSC during fiscal years 1989–92.

(10) gives the authority to the Secretary of HHS to provide technical assistance to a State to collect data and information to enable the State to make recommendations regarding HMSAs.

S. 1285 is similar to legislation included in S. 2574, the Public Health Service Act Amendments of 1984, which was vetoed last year. The Administration found the authorization for new federal National Health Service Corps scholarships to be unnecessary "since the number of scholarship recipients already bound to subsidized medical practice in rural areas is adequate."

However, the committee firmly believes that there will continue to be a need for an NHSC Program to assist areas that have not been able to attract the needed health care providers. The goal and commitment of the NHSC remain the same. "To improve the delivery of health services in health manpower shortage areas." Meanwhile, the growth of the corps has justifiably leveled off. With this legislation, the number of corps members reflects the evidence that a surplus of physicians and other health care providers is having a significant effect on the geographic distribution of health professionals. Shortage areas in need of health manpower continue to diminish as the NHSC Program succeeds in meeting its goal—making quality health care available where it is so desperately needed.

Yet, this legislation is necessary because the important job to be done is as yet unfinished. In particular, the Committee believes there will continue to be an uneven distribution of health care providers in small isolated rural communities and some urban settings. Most of these areas will not soon be able to attract sufficient health care practitioners without the NHSC, even in the face of the doctor glut.

Over the years, the corps has evolved into a program designed to complement private sector recruitment activities in providing primary care health services to the Nation. The Committee has seen the NHSC evolve from a program of mainly federally supported providers to one with an increasing number of providers supported by local resources. The corps has moved from a program driven solely by national perceptions of need to one which considers State and local priorities to a much greater degree. The Committee is very much aware that throughout those transitions the NHSC has continued to have an impact on placing health professionals in underserved areas and assuring that areas with a need and demand for health care services receive them. As a result of those transitions, the NHSC is stronger and more effective than ever before. This is why it is timely and essential to reauthorize the NHSC Pro-

gram and to make several changes that will continue to strengthen but not enlarge the corps.

In the past the NHSC has often been looked upon an an educational tool rather than as a health service delivery program. As a consequence, prior to the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35), the program has been planned and developed without regard to the impending surplus of physicians and other health professionals and the resulting competitive forces that were moving doctors into areas where they were not previously available. P.L. 97-35 redesigned the NHSC program to be sensitive to an increased supply of health professionals and the resulting market forces. A number of recent studies support previous evidence that as the supply of physicians increases, market forces will continue to cause the "diffusion" of doctors into areas that have a need and demand for them, thus reducing the number of HMSAs that require NHSC professionals.

Three studies documenting changes in the geographic distribution of physicians have been published by researchers at the RAND Corporation. Together, these studies represent one of the most comprehensive examinations of the issue of the diffusion of physicians. Together, they also present a fairly consistent picture of the extent of diffusion. The first of these studies looked at the diffusion of board-certified physicians between 1960 and 1977.[1] This 1980 study found that in 1977, more than 70 percent of communities with 20,000 to 30,000 inhabitants had a full complement of five different board-certified specialties; that is, at least one representative from each of the specialties of internal medicine, surgery, pediatrics, obstetrics/gynecology, and radiology. In 1960, less than a third of these communities had all five. In the next larger group of towns, 30,000 to 50,000, the proportion of these communities with a full complement of five specialties increased from 50 percent in 1960 to 95 percent in 1977.

In order to determine whether the results of this first study were influenced by considering only board-certified physicians, RAND conducted a second study which used an updated data base and extended the earlier analysis to include non-certified physicians, as well as previously omitted specialty categories.[2] This study strengthened previous conclusions by finding that among 23 States surveyed, there were virtually no towns with a population of 2,500 or more that did not have ready geographic access to a physician by the end of the 1970's.

A third paper published by the RAND group in 1983 reinforces these conclusions by demonstrating that the distance that rural residents must travel to see a physician of a particular type has declined over time.[3] For this study, rural residents were defined as those who lived in a non-metropolitan area town of less than 25,000 population or who did not live in a town. Between 1970 and 1979 there were across-the-board reductions in distance to a physician in

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[1] William Schwartz et al., "The Changing Geographic Distribution of Board-Certified Physicians," New England Journal of Medicine, Vol. 303, No. 18, Oct. 30, 1980.

[2] Joseph Newhouse et al., "Where Have All the Doctors Gone?" Journal of American Medical Association, Vol. 247, No. 17, May 17, 1982.

[3] Albert Williams et al., "How Many Miles to the Doctor?", New England Journal of Medicine, Vol. 309, No. 16, Oct. 20, 1983.

rural areas for virtually all specialty categories studied. By 1979, approximately four-fifths of the rural population were within 20 miles of specialists in internal medicine, general surgery, obstetrics/gynecology, and pediatrics, and fewer than five percent were more than 50 miles from such specialists. Nearly three-fifths were within 20 miles of a physician in one of the major surgical subspecialties. Representatives of smaller specialties, such as neurology and plastic surgery, were within 20 miles of approximately one-third of the rural population.

This study adds that as the pool of physicians grows by another 30 to 35 percent during the 1980's, market forces will lead to a further reduction in the distance rural residents will have to travel to visit physicians of various types. However, the authors of this study also point out that market forces cannot be expected to increase notably the number of physicians in very sparsely settled areas. Such areas will continue to be economically unattractive for physicians and "even if the population in sparsely settled areas were as large as in a town, some people in such areas would have to travel relatively long distances for care, and they would use less of it." It is for reasons such as these that the Committee has extended the NHSC field and scholarship program activities to assure that areas of greatest need and most critical shortage continue to receive NHSC support.

The Committee is aware of other recent analytical and research efforts that have addressed the issue of changes in geographic distribution and "diffusion" of health professionals. A study conducted by the Bureau of Health Professions, DHHS, entitled "Diffusion and The Changing Geographical Distribution of Primary Care Physicians" (ODAM Report No. 4-83, June, 1983) was undertaken to assess the impact of geographical diffusion of primary care physicians on the need for NHSC physicians during the period 1984-1994. The study which used both county and subcounty data to forecast the number of future shortage areas (using only county data might have skewed the results) predicts that the total number of shortage areas will decine by almost 50 percent between 1984-1994.

The Committee also takes note of an unpublished study by Dr. Jesse S. Hixson and Dr. L. Jackson Brown entitled "The Geographic Diffusion of Physicians and Dentists" (December 12, 1983) which estimates the rates of geographic diffusion of physicians and dentist experienced in the United States in the recent past. The study forecasts the pattern of diffusion across counties in the United States through 1994. Hixson and Brown's model predicts that significant numbers of new practitioners will systematically continue to locate in counties with less dense concentrations of practitioners in the coming years and that the number of shortages areas for primary care physicians and dentists will decrease substantially (57 and 38 percent respectively) over the next decade.

These studies support the Committee's view that as the supply of health practitioners continues to increase, diffusion is occurring and is reducing the number of health manpower shortages areas. The Committee recognizes that the remaining health manpower shortages areas may be those of greatest need and that an objective of the NHSC is to concentrate NHSC practitioners on those areas.

Finally, the Committee wishes to commend the Department on its implementation of the changes in the NHSC program as a result of the Omnibus Budget Reconciliation Act of 1981. The number of NHSC professionals on a federal salary has decreased substantially since 1981, while the number of Corps professionals fulfilling their scholarship obligation through private practice has increased substantially thereby reducing the need for increasing authorization levels. Corps providers are now locating in areas that have the greatest need and demand for them. HMSA data is being updated and indicate that the number of HMSA's is decreasing as a result of NHSC placements and market forces. By asking the Secretary of HHS to formulate a plan for the future of the Corps, the Committee is giving the Department the opportunity to continue its good work and to assist in designing a NHSC that not only is flexible enough to meet the changing needs of health manpower shortage areas but assures that areas that truly need assistance and can not attract the necessary health manpower can look to the NHSC for support.

AUTHORIZATIONS OF APPROPRIATIONS

In 1981 the Committee chose to deal with the mounting number of service-ready NHSC scholarship obligees by substantially revising the private practice option (PPO). Under this special type of arrangement Corps members become private practitioners in underserved areas, do not receive a federal salary and, therefore, an authorization is not necessary to pay their wages. The Committee applauds the Department of HHS for its successful efforts to implement the PPO for the placement of NHSC scholarship obligors. As a result, the authorization levels in S. 1285 for fiscal years 1986-1988 ($70, 65, and 60 million) for the NHSC field programs are less than the levels for fiscal years 1982-1984 ($110, 120, and 130 million).

The Committee is aware that its proposed authorization levels for the NHSC field program are still slightly above the Administration's request. The Committee's slightly higher levels are not based on any difference in policy but rather are based on its recognition that the number of scholarship obligors that take the PPO (and thus do not require a federal salary) is subject to change in any particular year. Based on past experience, the Department has estimated the mix of federally salaried and PPO Corps members in fiscal years 1986-88 and requested funds accordingly. While not disputing these estimates, the Committee chose to use slightly higher authorization levels to allow the Administration and the Appropriations Committees adequate room for an increase in the NHSC field budget if the mix of federally salaried members and PPO members changes adversely. In this regard the Committee notes the importance of funding for section 8 of S. 1285—"Special Loans for Corps Members to Enter Private Practice," Section 338C(f) of the Public Health Service Act (Income supplement and malpractice insurance for PPO's), and Section 338C(g) of the PHS Act (Technical assistance for PPO's) at levels that will encourage additional PPO placements and assist the Department in maintaining a favorable ratio of federally salaried and PPO Corps members.

(Further information on these programs can be found under the "Private Practice" section of this Report).

The authorization levels in the bill will also support up to 150 new NHSC scholarships in each of fiscal years 1986–88 and the out-year continuation of a modest NHSC scholarship awards first made prior to October 1, 1988. It is the Committee's intent that continuation of a modest NHSC scholarship program will assist the Corps by assuring a small pipeline of service contingent health practitioners to help meet the needs of the most critical manpower shortage areas for whom no volunteers are likely to be available. However, the Committee does not intend for this modest program to interfere with the need to upgrade recruitment of volunteers into the NHSC.

DESIGNATION OF HEALTH MANPOWER SHORTAGE AREAS

The Committee notes that in the Omnibus Reconciliation Act of 1981 (Public Law 97–35), Congress called for an evaluation of the health manpower shortage criteria, with emphasis on taking into account demand as well as need for health care professionals. The report developed by the Department of Health and Human Services in response to the Congressional charge dealt with this subject but found a lack of specific indicators which could be readily used to discriminate between areas with more or less demand. Instead, the report called for further study in this area.

To this end, the Committee is aware that the Department has undertaken an extensive effort to improve and refine its need/demand assessment methodology and the manpower in which it is conducted. This effort is examining: (1) the systems being utilized by several States and local agencies; (2) various techniques to address population characteristics, particularly those affecting health status and the use of health services; (3) indicators of capacity, resources and access; and (4) the improved methods to assess utilization of health services and use patterns. The Department's refined need/demand assessment approach is expected to coordinate closely with State and local efforts to assure maximum effectiveness in identifying levels of need and changing trends.

Furthermore, the Committee acknowledges that the Department has conducted a review of all designated HMSAs and eliminated from the list those previously-designated areas into which sufficient private sector physicians have already moved since the time of their original designation. Care has been taken to compute accurate "dedesignation thresholds" for each area, i.e. the number of additional full-time-equivalent primary care physicians needed to remove each area from the HMSA list. The Department has instituted a policy of strictly limiting the number of NHSC and PPO placements in each designted HMSA to this calculated threshold.

Under the designation process, areas are designated summarily on the basis of physician to population ratio. The ratio needed for designation is 1 physician per 3,500 population or 1:3,000 when there are exceptional circumstances. Based on these ratios a dedesignation threshold is established. The Committee is aware that some areas may need 3 additional physicians to reduce the areas's ratio to 1:3,500 or better, while others may need only 1 additional physician. The mathematical calculations do not always result in

even numbers. A particular area may be found to have a dedesignation threshold of 1.4 or 2.9 and so forth. Obviously, one can not assign 1.4 or 2.9 physicians. The question then arises as to whether a fraction justifies an assignment. The Committee believes that an assignment is appropriate when more than one-half of a provider is needed (i.e., six-tenths and above) and that a remainder of one-half or less should not be used to place an individual except in unusual circumstances or for good cause.

The Committee applauds the Department's efforts towards improving the HMSA designation process, but asks that efforts to improve the need/demand assessment methodology be expended so that the most critical shortage areas can be identified based on both the need and demand for health care and that NHSC practitioners are sent to areas that maximize both characteristics.

The Committee believes the comments of local and state medical, osteopathic, dental and other health professional societies are an important and integral part of the health manpower shortage area designation process and the NHSC assignment process. The Committee encourages the Department to assure that the opportunity to comment is provided with sufficient advance notice so that professional societies can comment on HMSA designations and NHSC assignment applications prior to the designation approval process.

The Committee is aware that a number of States are no longer making or are having difficulty making recommendations regarding the designation of health manpower shortage areas in their State. The Committee views State input into the designation process as very important and a portion of the process that must be continued in the future. In this regard, the Committee bill authorizes the Secretary of HHS to provide technical assistance to the State, or at the request of the State, to entities within the State. The purpose of the technical assistance is to assist States in carrying out date collection and public information functions which are integral to making recommendations regarding the designation of health manpower shortage areas in their State. For this purpose, the Committee bill authorizes $500,000 for fiscal years 1985–87.

In regard to this technical assistance provision, the Committee is aware of concern that the Department's ongoing reevaluation of health manpower shortage areas may, to a disproportionate extent, result in dedesignation or lowering of the priority status of urban HMSAs and lead to fewer opportunities for placement of NHSC personnel in underserved urban areas. The Department has asserted that urban areas, given adequate financial resources, should be able to recruit health professionals. The Committee urges the Department, in each specific instance, to give careful consideration as to whether adequate resources are actually available to a local urban community to recruit and retain qualified health personnel. State and local input into such evaluation of resources is one clearly appropriate use of the technical assistance to States specified in the Committee bill.

The Committee also notes that diligent attention to actual resources and aggressive use of technical assistance by DDHS is particularly necessary if it is true that a number of areas, primarily urban, have been dedesignated solely because required data was not supplied by the area. The Committee stresses that technical as-

sistance should be used for urban and rural areas that are having difficulty gathering designation data, and particular attention needs to be given to assist urban areas. In addition, the Committee's bill prohibits the Secretary of HHS from removing the designation of an area as a HMSA until interested persons and groups in the area have had an opportunity to provide data in support of the designation of a population group or facility in the area.

The Committee takes note of the fact that the issue of the distribution of NHSC health personnel into either urban or rural areas has been an important consideration almost since the inception of the NHSC program. Clearly, it is important to respond to needs of both communities through both salaried individuals and private assignments.

The Committee also notes that the Conference Report of the Omnibus Budget Reconciliation Act of 1981 stressed that a broad-based range of HMSAs should be able to receive individuals under the private practice option. Further, the Conferees noted that the private practice option provides greater incentives for service-obligated individuals to develop good relationships with the community they serve and to stay in that community for longer periods of time. The Federal government does not assume the financial risk for these individuals—the risk is assumed by either the assignees themselves or by other public or nonprofit entities. The Committee continues to agree with these points made by the Conferees of the Omnibus Reconciliation Act of 1981 and favors offering greater flexibility to private practice option assignees.

DEFERMENT OF OBLIGATED SERVICE

With the increasing complexity of health care and the nature of undergradute health professions education, the Committee believes that internships, residencies and advanced clinical training programs, where appropriate, are an essential component in the education of competent health practitioners. At the present time, physicians are required to complete at least 1 year of graduate clinical training in an allopathic flexible first year program sponsored by a family practice, internal medicine or pediatrics department or a rotating intership in osteopathic medicine in order to be eligible for NHSC service. Up to 3 years of deferment may be approved for training in specialties where the training and/or experience requirements for board certification can be fulfilled in that time period. Deferments are currently approvable in family practice, internal medicine, pediatrics and emergency medicine. The NHSC has designated psychiatry and obstetrics/gynecology as specialties needed to meet its mission in health manpower shortage areas; therefore, those 4 year specialties are currently approvable for deferment. Dentists are currently authorized for 1 year deferments in dental general practice residencies. The Committee applauds the Departments approach of directing NHSC residency deferrals to primary care specialties.

In general the Committtee is pleased to note the effectiveness of the Department's communication process with scholarship recipients eligible for approved deferments of their service obligation and the process of granting approved deferments. Placement difficulties

have been experienced because current statute allows scholarship recipients a deferment of their obligation for certain specialties such as emergency medicine. Difficulties arise because these residencies fulfill the statutory requirement of residency completion within a three year time period but are not specialties needed in the high priority HMSAs that then NHSC serves. The Committee bill provides the Secretary with the authority to determine the needed specialties that will be eligible for deferment. The new authority applies to first time scholarhip contracts awarded on or after October 1, 1985. This change will provide the Secretary with the authority, if needed, to restrict deferments to primary care specialties such as Family Practice, Internal Medicine, Pediatrics, Obstetrics/Gynecology, and Psychiarty which are in greatest need in HMSAs. Such a change will eliminate the difficulties being experienced in placing individuals trained in other than the needed primary care specialties. The Committee believes that an effective means of communicating deferment information is through advisory mailings sent to all Corps scholarship recipients beginning in their junior year of professional school and on a yearly basis to all schools with Corps scholars in attendance.

PRIVATE PRACTICE

The private practice option (PPO) encourages individuals to serve at their own, or a non-federal organization's, financial risk in underserved areas during their period of obligated service. Among its advantages, this option provides incentives for NHSC practitioners to develop good relationships with the communities they serve and to stay in that community for longer periods of time. As earlier noted, in 1981, the Committee significantly improved the viability of the PPO and has been pleased with the Department's implementation. It is the intent of the Committee to continue to strengthen the PPO as an attractive and viable option for members of the Corps. The Committee's bill clarifies the authority of the NHSC to maintain a health manpower shortage area placement opportunity list and to restrict HNSC obligees electing the private practice option to serving in the listed high minority areas.

Section 8 of S. 1285—"Special Loans for Corps Members to Enter Private Practice" consolidates two authorities in current statute in order to assist eligible PPO Corps practitioners in the purchase of equipment and renovation of facilities used in providing health services and for other purposes. It is the Committee's intention that this provision authorize loans to (1) persons who will fulfill their service obligation through the PPO in a health manpower shortage area (including those who will begin their service under the PPO as well as those who wish to convert to private practice after having begun their service as a Federal employee); (2) persons who have completed their service obligation and who are located in or will enter into private practice in a health manpower shortage area; and (3) volunteers who never received a NHSC scholarship and who wish to enter into private practice in health manpower shortage areas.

The Committee wishes to make it clear that Corps members who fulfill their service obligation through the PPO may apply for this

loan program at any appropriate time beginning with the election of the PPO and ending one year after the individual completes the period of obligated service. It is the Committee's hope that this revised loan program will encourage Corps members to choose the private practice option and locate in areas where they might not have been able to start a practice without this loan.

In order to encourage additional Corps members into the PPO, particularly in certain underserved areas with minimal resources, the Committee wishes to reiterate the potential value for some placements of the provision (Section 338C(f) of the Public Health Service Act) allowing a partial income supplement to PPO Corps members incomes while fulfilling obligated service. Also the Committee wishes to reiterate the potential value of the provision (Section 338C(g) of the PHS Act) providing technical and professional assistance to help the Corps member in locating a financially viable practice location and operating a practice. Appropriately used, the cost to the Federal Government of such provision is still a considerable saving over having these individuals serve on the Federal payroll.

The Committee suggests that a priority system similar to the system already in place for the existing PPO loan program, be developed by the Department for allocating loan money to Corps members under the new loan program. The priority system should take into consideration the degree of manpower shortage, the cost of starting a practice in the area, and the potential for financial viability of the practice. The Committee asks that consideration be given to the high cost of purchasing dental equipment to start a dental practice when developing the priority system.

Finally, the Committee encourages the Department to maintain a significant PPO monitoring effort, including system-wide capability for on-site review of PPO practitioners, data on the amount of time spent in the practice, and charges made to certain categories of patients as specified in Section 338C(b) of the PHS Act.

STATE CONTRACTS

The Committee agrees with DHHS' philosophy that providing NHSC personnel with a positive experience of coordinated federal, state and local support in starting and maintaining practice in health manpower shortage areas makes it more likely that such personnel will remain in those areas after they complete their service obligation. Consequently the Committee applauds the Department's initiative in developing the NHSC state contract program.

These contracts are tailored to give the states and localities shared responsibility for NHSC activities in four key areas: (a) assessments of communities' needs; (b) developing of viable sites for placement of personnel; (c) matching and placing providers in communities; and (d) managing staffed sites.

The Department has informed the Committee that in 1982, contracts were awarded to 16 states. Fiscal year 1983 results under those contracts were: (a) 347 NHSC scholars were placed in shortage area communities; (b) 151 new practice opportunities were identified for future placements; and (c) state-based organizations demonstrated that local knowledge of state and community needs

and familiarity with key state organizations can increase access to health care for those who need it most.

By the end of fiscal year 1984, the NHSC had awarded contracts to a total of 28 States. The Committee is pleased to learn that the Department has merged this activity with similar contract activity initiated under the community health center (CHC) program. These latter contracts, known as memoranda of agreement, have sought to increase States' familiarity with their primary care resources and needs in general, and to CHC program in specific. New cooperative agreements will allow States to coordinate their related primary care and NHSC activities with Federal activities.

PERSONNEL PLAN FOR THE NATIONAL HEALTH SERVICES CORPS

Recent studies show that between 1982 and 1994 the number of counties with a primary care population-to-physician ratio above 3,500-to-1 will decline by 50 percent. The Committee bill acknowledges this decline by asking the Secretary for an NHSC plan that includes a Corps size that is consistent with the demonstrated need of health manpower shortage areas. A reasonable approximation of the remaining need that should be met through the Corps, in the Committee's view, is a total field strength of 2,100 or less beginning in 1987.

As the number of health manpower shortage areas shrink in response to NHSC program placements and market forces, the Committee believes that the Corps will need a versatile long-range plan to continue its mission of providing health personnel to communities with the greatest need and demand for health care and which have been unable to attract providers of primary care services. The requirement for a "Personnel Plan For the National Health Service Corps" directs the Secretary of HHS, in consultation with State governments, voluntary organizations, and organizations representing health professionals to chart just such a plan for the Corps for 1987 and beyond. This plan is designed to be available to assist the Congress well in advance of the next reauthorization cycle.

The Committee feels that "flexibility" is the key to a successful future plan for the NHSC program. As the supply of physicians and other health professionals continues to increase, the long-range plan for the Corps must be flexible enough to take into consideration the changing needs of the NHSC. The Committee believes that as a result of this over-supply, the number of volunteers available to the Corps will increase. This will allow the Corps to get out the inefficient practice of primarily recruiting first year medical students through scholarships, with a 5 to 8 year lag before the service obligation. The Committee believes that volunteers are the preferable means of recruiting health practitioners to manpower shortage areas because they can be selected for assignment toward the end of their professional training when they have already made a commitment to primary care practice and can better decide whether they want to pursue such practice in an underserved area.

Finally, the Committee is aware and encouraged that the Department is already working on several draft plans such as an NHSC direct loan program and an NHSC loan repayment program. Such proposals are clearly appropriate for inclusion as options in the

"Personnel Plan" as well as making it more likely that the Department of Health and Human Services can make the deadline of October 1, 1986. The Committee has chosen this date in case action on the "Plan" is required before the next reauthorizing cycle.

VI. Budget Estimate

U.S. Congress,
Congressional Budget Office,
Washington, DC, July 1, 1985.

Hon. Orin G. Hatch,
Chairman, Committee on Labor and Human Resources,
U.S. Senate, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has reviewed S. 1285, the National Health Service Corps Amendments of 1985, as ordered reported by the Senate Committee on Labor and Human Resources on June 27, 1985.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,

Sincerely,

Rudolph G. Penner, *Director.*

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

July 1, 1985.

1. Bill number: S. 1285.
2. Bill title: The National Health Service Corps Amendments of 1985.
3. Bill status: As ordered reported by the Senate Committee on Labor and Human Resources on June 27, 1985.
4. Bill purpose: To amend provisions of the Public Health Service Act relating to the National Health Service Corps.
5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1986	1987	1988	1989	1990
Authorization levels:					
National Health Service Corps	70.0	65.0	60.0	.....	.....
National Health Service Corps scholarships	2.9	5.1	6.3	4.0	1.4
Technical assistance to States	.5	.5	.5	.....	.....
Total authorization levels	73.4	70.6	66.8	4.0	1.4
Estimated outlays:					
National Health Service Corps	39.6	58.3	60.7	26.9	7.8
National Health Service Corps scholarships	2.9	5.1	6.3	4.0	1.4
Technical assistance to States	.5	.5	.5	.....	.....
Total estimated outlays	43.0	63.9	67.5	30.9	9.2

The costs of this bill fall within function 550.

Basis of Estimates: All authorization levels, except for the National Health Service Corps (NHSC) scholarship level, are stated in the bill. The bill would authorize funding for 150 new NHSC schol-

arship awards in each of fiscal year 1986 through 1988. It would also authorize continuing awards to students who have entered into contracts with the NHSC before fiscal year 1989. The bill would also cap the total amount of a scholarship award for the 1985-1986 academic year at $15,000. This amount would increase over time by a tuition inflator, as stated in the bill. We assume authorized amounts are fully appropriated at the beginning of each fiscal year. We assume the scholarhsip and technical assistance funds will be spent in the year in which they are appropriated. The NHSC outlay estimates are based on spendout rates computed by CBO on the basis of recent program data.

6. Estimated cost to state and local governments: The budgets of state and local governments would not be affected directly by the enactment of this bill.

7. Estimate comparsion: CBO prepared an estimate on May 14, 1985 for H.R. 2237, the National Health Service Corps Amendments of 1985, as ordered reported by the House Committee on Energy and Commerce. That bill also extended programs relating to the National Health Service Corps. Total authorization and outlays levels for H.R. 2237 exceed the levels specified in S. 1285.

8. Previous CBO estimate: None.

9. Estimate prepared by: Carmela Pena.

10. Estimate approved by: James L. Blum, Assistant Director for Budget Analysis.

VII. Administration Views

The Secretary of Health and Human Services,
Washington, DC, July 8, 1985.

Hon. Orrin G. Hatch,
Chairman, Committee on Labor and Human Resources, U.S Senate, Washington, DC.

Dear Mr. Chairman: This is in response to your request for a report on S. 1285, a bill "To amend provisions of the Public Health Service Act relating to the National Health Service Corps."

In summary, we oppose S. 1285 primarily because the authorizations for the field program are in excess of actual need and the authorization for 150 new scholarships in FY 86 and the two succeeding fiscal years is unnecessary.

The proposed authorization levels exceed by nearly 30 percent, or $44 million, those required for the phasedown of the Federal Field staff during fiscal years 1986 through 1988. Funds beyond the levels proposed in the President's 1986 budget are unneeded. Moreover, additional scholarships are not needed at this time. Including individuals with scholarship obligations who will begin service this year, there will be some 4500 obligees available for service between today and the end of the decade. As we have recently reported, the number of primary care health manpower shortage areas decreased by 16 percent between December 31, 1983 and September 30, 1984, while the number of primary care physicians needed to fill requirements in these areas decreased by 24 percent.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report and that en-

actment of S. 1285 in its present form would not be consistent with the Administration's objectives.

Sincerely,

MARGARET M. HECKLER,
Secretary.

VIII. REGULATORY IMPACT STATEMENT

The Committee has determined that there will be minimal or no increase in regulatory burden of paperwork imposed by this bill.

IX. SECTION-BY-SECTION SUMMARY

Section 1 cites the title of the bill as the "National Health Service Corps Amendments of 1985."

REFERENCE

Section 2 provides that, except as otherwise provided, whenever in the bill an amendment on repeal is expressed in terms of an amendment to, or a repeal of, a section or other provision, the reference shall be considered to be made to the Public Health Service (PHS) Act.

AUTHORIZATIONS OF APPROPRIATIONS

Section 3(a) amends section 338(a) of the PHS Act to extend the authorization for appropriations for the National Health Service Corps (NHSC) through fiscal year 1988 at $70 million for FY 1986, $65 million for FY 1987, and $60 million for FY 1988.

Section 3(b) amends section 338F(a) of the PHS Act to authorize for fiscal years 1986 through 1988 such sums as may be necessary to make 150 new NHSC scholarships a year and to continue to make scholarship awards to students who entered the scholarship program before October 1, 1988.

Section 3(6) also amends 338F to delete the requirement that 90 percent of appropriations for scholarships for medical, osteopathic and dental students, and 10 percent for scholarships for dental students.

DESIGNATION OF HEALTH MANPOWER SHORTAGE AREAS

Section 4 amends section 332(a)(1) of the PHS Act to provide prohibit the Secretary from dedesignation area as a health manpower shortage area until the Secretary affords interested persons and groups in the area an opportunity to provide data and information in support of the designation as a shortage area of a population group or a facility, and has made the determination on the basis of the data information submitted by the persons or groups.

SCHOLARSHIP PROGRAM

Section 5 of the bill requires that the maximum amount of an NHSC scholarship not exceed $15,000 for the school year ending in FY 1986, adjusted by the Secretary in subsequent years for increases in tuition as measured by a tuition increase index. The tuition increase index for a course of study or program for a school

year is the estimated percentage (determined by the Secretary) by which the average tuition for the course of study or program at all institutions in the U.S. will increase over the average tuition for the immediately proceding school year.

OBLIGATED SERVICE

Section 6 of the bill amends section 338B(b)(5) of the PHS Act requiring the Secretary to defer the beginning date of an NHSC scholarship recipient's obligated service to allow the participant to undertake internship, residency, or other advanced clinical training. This amendment provides the Secretary with greater flexibility to select for those persons who receive their first NHSC scholarships in fiscal year 1986 which residency and clinical training programs they may participate in while deferring their service obligations. This section of the bill stipulates that for those persons receiving scholarships before October 1, 1985, the Secretary shall defer the beginning date of service upon request for training; for those receiving scholarships after October 1, 1985, the Secretary may defer the beginning date of service upon request.

For scholarship recipients receiving a degree from a school of medicine, osteopathy, or dentistry, the period of time that the beginning of service may be deferred shall not exceed three years (except in special cases, consistent with the needs of the Corps). For recipients with degrees from schools of veterinary medicine, optometry, podiatry, or pharmacy, the period of time that the beginning of service may be deferred shall not exceed one year (with the same exception as noted above). No period of internship, residency, or other advanced clinical training shall be counted toward satisfying the period of obligated service.

PRIVATE PRACTICE

Section 7 of the bill clarifies the authority of the NHSC to restrict obligees electing the private practice option to serve in areas of greatest need. It also directs the Secretary to take appropriate action to assure that NHSC providers who serve under the private practice option meet the conditions of their agreement with the NHSC, including, among others, the requirement that the NHSC provider serve medicare and medicaid recipients and not discriminate against patients on the basis of their ability to pay for services.

SPECIAL LOANS FOR CORPS MEMBERS TO ENTER PRIVATE PRACTICE

Section 8 of the bill amends section 338E of the PHS Act to authorize the Secretary to make one loan not to exceed $25,000 to a Corps member or former Corps member who has agred in writing to engage in the private, full/time clinical practice of the profession of such Corps member in a designated health manpower shortage area for not less than two years. The two-year period would begin: (1) in the case of a Corps member who is required to complete a period of obligated service, not later than one year after the individual completes such period of service; and (2) in the case of an individual who is not required to complete a period of obligated

service, at such a time as the Secretary considers appropriate. The loan would be used to assist the individual in meeting the costs of beginning private practice, including the costs of acquiring equipment and renovating facilities, and of hiring nurses and other personnel. The loan may not be used for the purchase or construction of any building. Section 5 also amends section 338C(e) of the PHS Act by striking a paragraph permitting the Secretary to make such arrangements as he determines are necessary for the individual for the use of equipment and supplies and for the lease or acquisition of other equipment and supplies.

PERSONNEL PLAN FOR THE NATIONAL HEALTH SERVICE CORPS

Section 9 of the bill requires the Secretary to prepare and transmit by October 1, 1986, to the Senate Committee on Labor and Human Resources and the House Committee on Energy and Commerce, a plan for the recruitment, employment, and retention of personnel for the National Health Service Corps which assures that: (1) the Corps will continue to improve the delivery of health services in health manpower shortage areas during FY 1989 through 1992; and (2) during each such fiscal year, the total number of Corps members shall be the number the Secretary considers necessary to serve the demonstrated needs of health manpower shortage areas.

The plan shall include alternative proposals for the recruitment, employment, and retention of personnel for the NHSC, estimates of the amounts that would be required to carry out each proposal during each fiscal year with which the plan is concerned, and such recommendations for legislation and administrative action as the Secretary considers appropriate.

The Secretary shall prepare the plan in consultation with State governments, voluntary organizations, and organizations representing health professionals.

TECHNICAL ASSISTANCE TO STATES

Section 10(a) of the bill amends section 332 of the PHS Act to authorize the Secretary, in order to assist a State in carrying out data collection and public information activities to enable the State to make recommendations regarding the designation of health manpower shortage areas in the State, to provide technical assistance of an appropriate nature to the State or, at the request of the State, to entities within the State. Such technical assistance may be provided through grants, contracts, or cooperative agreements.

Section 10(b) of the bill amends section 338 of the PHS Act to authorize the appropriation of $500,000 for FY 1986, and for each of the two succeeding fiscal years, to carry out the technical assistance in section 7(a).

EFFECTIVE DATE

Section 11 of the bill makes October 1, 1985, the effective date of the bill and the amendments made by the bill.

X. Changes in Existing Law

In compliance with rule XXVI paragraph 12 of the Standard Rules of the Senate, the following provides a print of the statute or the part or section thereof to be amended or replaced (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Public Health Service Act

* * * * * * *

TITLE III—GENERAL POWERS AND DUTIES OF PUBLIC HEALTH SERVICE

* * * * * * *

Part D—Primary Health Care

* * * * * * *

Subpart II--National Health Service Corps Program

* * * * * * *

DESIGNATION OF HEALTH MANPOWER SHORTAGE AREAS

Sec. 332. (a)(1) For purposes of this subpart the term "health manpower shortage area" means (A) an area in an urban or rural area (which need not conform to the geographic boundaries of a political subdivision and which is a rational area for the delivery of health services) which the Secretary determines has a health manpower shortage, (B) a population group which the Secretary determines has such a shortage, or (C) a public or nonprofit private medical facility or other public facility which the Secretary determines has such a shortage. *The Secretary shall not remove an area from the areas determined to be health manpower shortage areas under clause (A) of the preceding sentence until the Secretary has afforded interested persons and groups in such area an opportunity to provide data and information in support of the designation as a health manpower shortage area of a population group described in clause (B) of such sentence or a facility described in clause (C) of such sentence, and has made a determination on the basis of the data and information submitted by such persons and groups and other data and information available to the Secretary.*

* * * * * * *

(i) In order to assist a State in carrying out data collection and public information activities to enable the State to make recommendations regarding the designation of health manpower shortage areas in the State, the Secretary may provide technical assistance of an appropriate nature to the State or, at the request of the State, to entities within the State. Such technical assistance may be provided through grants, contracts, or cooperative agreements.

* * * * * * *

AUTHORIZATION OF APPROPRIATION

SEC. 338. (a) To carry out the purposes of this subpart, there are authorized to be appropriated $47,000,000 for the fiscal year ending September 30, 1978; $64,000,000 for the fiscal year ending September 30, 1979; $82,000,000 for the fiscal year ending September 30, 1980; $110,000,000 for the fiscal year ending September 30, 1982; $120,000,000 for the fiscal year ending September 30, 1983; [and] $130,000,000 for the fiscal year ending September 30, 1984; *$70,000,000 for the fiscal year ending September 30, 1986; $65,000,000 for the fiscal year ending September 30, 1987; and $60,000,000 for the fiscal year ending September 30, 1988.*

* * * * * * *

(c) To carry out the purposes of section 332(i), there are authorized to be appropriated $500,000 for the fiscal year ending September 30, 1986, and for each of the two succeeding fiscal years.

NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAM

SEC. 338A. (a) * * *

* * * * * * *

(g)(1) [A scholarship] *Except as provided in paragraph (4), a scholarship* provided to a student for a school year under a written contract under the Scholarship Program or under section 758 (relating to scholarships for first-year students of exceptional financial need), shall consist of—

(A) payment to, or (in accordance with paragraph (2)) on behalf of, the student of the amount (except as provided in section 711) of—

(i) the tuition of the student in such school year; and

(ii) all other reasonable educational expenses, including fees, books, and laboratory expenses, incurred by the student in such school year; and

(B) payment to the student of a stipend of $400 per month (adjusted in accordance with paragraph 3)) for each of the 12 consecutive months beginning with the first month of such school year.

(2) The Secretary may contract with an educational institution, in which a participant in the Scholarship Program is enrolled, for the payment to the educational institution of the amounts of tuition and other reasonable educational expenses described in paragraph (1)(A). Payment to such an educational institution may be made without regard to section 3648 of the Revised Statutes (31 U.S.C. 529).

(3) The amount of the monthly stipend, specified in paragraph (1)(B) and as previously adjusted (if at all) in accordance with this paragraph, shall be increased by the Secretary for each school year ending in a fiscal year beginning after September 30, 1978, by an amount (rounded to the next highest multiple of $1) equal to the amount of such stipend multiplied by the overall percentage (as set forth in the report transmitted to the Congress under section 5305 of title 5, United States Code) of the adjustment (if such adjustment

is an increase) in the rates of pay under the General Schedule made effective in the fiscal year in which such school year ends.

(4)(A) Notwithstanding any other provision of this subsection, the maximum total amount of a scholarship provided to a student in a course of study or program under a written contract under the Scholarship Program may not exceed $15,000 for the school year ending in the fiscal year ending September 30, 1986.

(B) The maximum total amount of a scholarship which may be provided to a student in a course of study or program, as specified under subparagraph (A) and as previously adjusted (if at all) in accordance with this subparagraph, shall be increased by the Secretary for each school year ending in a fiscal year beginning after September 30, 1986, by an amount (rounded to the next highest multiple of $1) equal to such maximum total amount multiplied by the tuition increase index for such course of study or program for such school year. For purposes of the preceding sentence, the tuition increase index for a course of study or program for a school year is the estimated percentage (determined by the Secretary) by which the average tuition for such course of study or program at all institutions in the United States for such school year will increase over the average tuition for such course of study or program at all such institutions for the immediately preceding school year.

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SEC. 338B. (a) * * *

(b)(1) If an individual is required under subsection (a) to provide service as specified in seciton 338A(f)(1)(B)(iv) (hereinafter in this subsection referred to as "obligated service"), the Secretary shall, not later than ninety days before the date described in paragraph (5), determine if the individual shall provide such service—

* * * * * * *

[(5)(A) With respect to an individual receiving a degree from a school of medicine, osteopathy, or dentistry, the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes the training required for such degree, except that the Secretary shall, at the request of such individual, defer such date until the end of the period of time (not to exceed three years or such greater period as the Secretary, consistent with the needs of the Corps, may authorize) required for the individual to complete an internship, residency, or other advanced clinical training. With respect to an individual receiving a degree from a school of veterinary medicine, optometry, podiatry, or pharmacy, the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes the training required for such degree, except that the Secretary shall, at the request of such individual, defer such date until the end of the period of time (not to exceed one year or such greater period as the Secretary, consistent with the needs of the Corps, may authorize) required for the individual to complete an internship, residency, or other advanced clinical training. No period of internship, residency, or other advanced clinical training shall be counted toward satisfying a period of obligated service under this subpart.]

(5)(A) With respect to an individual receiving a degree from a school of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, pharmacy, or clinical psychology the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes the training required for such degree, except that—

(i) at the request of such an individual with whom the Secretary has entered into a contract under section 338A prior to October 1, 1985, the Secretary shall defer such date until the end of the period of time (not to exceed the number of years specified in subparagraph (B) or such greater period as the Secretary, consistent with the needs of the Corps, may authorize) required for the individual to complete an internship, residency, or other advanced clinical training; and

(ii) at the request of such an individual with whom the Secretary has entered into a contract under section 338A on or after October 1, 1985, the Secretary may defer such date in accordance with the provisions of clause (i).

(B)(i) With respect to an individual receiving a degree from a school of medicine, osteopathy, or dentistry, the number of years referred to in subparagraph (A)(1) shall be three years.

(ii) With respect to an individual receiving a degree from a school of veterinary medicine, optometry, podiatry, pharmacy, or clinical psychology the number of years referred to in subparagraph (A)(i) shall be one year.

(C) No period of internship, residency, or other advanced clinical training shall be counted toward satisfying a period of obligated service under this subpart.

(D) With respect to an individual receiving a degree from an institution other than a school referred to in subparagraph (A), the date referred to in paragraphs (1) through (4) shall be the date upon which the individual completes the academic training leading to such degree.

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PRIVATE PRACTICE

SEC. 338C. (a) The Secretary shall, to the extent permitted by, and consistent with, the requirements of applicable State law, release an individual from all or part of his service obligation under section 338B(a) or under section 225 (as in effect on September 30, 1977) if the individual applies for such a release under this section and enters into a written agreement with the Secretary under which the individual agrees to engage for a period equal to the remaining period of his service obligation in the full-time private clinical practice (including service as a salaried employee in an entity directly providing health services) of his health profession—

(1) in the case of an individual who is performing obligated service as a member of the Corps in a health manpower shortage area on the date of his application for such a release, in the health manpower shortage area in which such individual is serving on such date; or

(2) in the case of any other individual, in a health manpower shortage area (designated under section 332) *for which the Sec-*

retary has made the evaluation and determination described in section 333(a)(1)(D).

(b) The written agreement described in subsection (a) shall—

(1) provide that during the period of private practice by an individual pursuant to the agreement—

(A) any person who receives health services provided by the individual in connection with such practice will be charged for such services at the usual and customary rate prevailing in the area in which such services are provided, except that if such person is unable to pay such charge, such person shall be charged at a reduced rate or not charged any fee; and

(B) the individual in providing health services in connection with such practice (i) shall not discriminate against any person on the basis of such person's ability to pay for such services or because payment for the health services provided to such person will be made under the insurance program established under part A or B of title XVIII of the Social Security Act or under a State plan for medical assistance approved under title XIX of such Act, and (ii) shall agree to accept an assignment under section 1842(b)(3)(B)(ii) of such Act for all services for which payment may be made under part B of title XVIII of such Act and enter into an appropriate agreement with the State agency which administers the State plan for medical assistance under title XIX of such Act to provide services to individuals entitled to medical assistance under the plan; and

(2) contain such additional provisions as the Secretary may require to carry out the purposes of this section.

For purposes of paragraph (1)(A), the Secretary shall by regulation prescribe the method for determining a person's ability to pay a charge for health services and the method of determining the amount (if any) to be charged such person based on such ability. *The Secretary shall take such action as may be appropriate to assure that the conditions of the written agreement prescribed by this subsection are adhered to.*

* * * * * * *

(e) [(1) The Secretary may make such arrangements as he determines are necessary for the individual for the use of equipment and supplies and for the lease or acquisition of other equipment and supplies.]

[(2)] Upon the expiration of the written agreement under subsection (a), the Secretary may (notwithstanding any other provision of law) sell to the individual who has entered into an agreement with the Secretary under subsection (a), equipment and other property of the United States utilized by such individual in providing health services. Sales made under this subsection shall be made at the fair market value (as determined by the Secretary) of the equipment or such other property, except that the Secretary may make such sales for a lesser value to the individual if he deter-

mines that the individual is financially unable to pay the full market value.

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SPECIAL LOANS FOR FORMER CORPS MEMBERS TO ENTER PRIVATE PRACTICE

SEC. 338E. [(a) The Secretary may, out of appropriations authorized under section 338, make one grant or one loan to an individual—

[(1) who has completed at least two years of his period of obligated service in the Corps, and

[(2) who has agreed in writing—

[(A) to engage in the private full-time clinical practice of his profession in a health manpower shortage area (designated under section 332) for a period (beginning not later than one year after the date he completed his period of obligated service in the Corps) of not less than one year;

[(B) to conduct such practice in accordance with the provisions of section 338C(b)(1); and

[(C) to such additional conditions as the Secretary may require to carry out the purposes of this section;

to assist such individual in meeting the costs of beginning the practice of such individual's profession in accordance with such agreement, including the costs of acquiring equipment and renovating facilities for use in providing health services, and of hiring nurses and other personnel to assist in providing health services. Such grant may not be used for the purchase or construction of any building.]

(a) The Secretary may, out of appropriations authorized under section 338, make one loan to a Corps member who has agreed in writing—

(1) to engage in the private full-time clinical practice of the profession of such Corps member in a health manpower shortage area (designated under section 332) for a period of not less than two years which—

(A) in the case of a Corps member who is required to complete a period of obligated service under this subpart, begins not later than one year after the date on which such individual completes such period of obligated service; and

(B) in the case of an individual who is not required to complete a period of obligated service under this subpart, begins at such time as the Secretary considers appropriate;

(2) to conduct such practice in accordance with the provisions of section 338C(b)(1); and

(3) to such additional conditions as the Secretary may require to carry out the purposes of this section.

Such a loan shall be used to assist such individual in meeting the costs of beginning the practice of such individual's profession in accordance with such agreement, including the costs of acquiring equipment and renovating facilities for use in providing health services, and of hiring nurses and other personnel to assist in providing health services. Such loan may not be used for the purchase or construction of any building.

[(b) The amount of the grant or loan under subsection (a) to an individual shall be—

[(1) $12,500, if the individual agrees to practice his profession in accordance with the agreement for a period of at least one year, but less than two years; or

[(2) $25,000 if the individual agrees to practice his profession in accordance with the agreement for a period of at lease two years.]

(b) The amount of a loan under subsection (a) to an individual shall not exceed $25,000.

(c) The Secretary may not make a [grant or] loan under this section unless an application therefor has been submitted to, and approved by, the Secretary. The Secretary shall, by regulation, set interest rates and repayment terms for loans under this section.

(d) If the Secretary determines that an individual has breached a written agreement entered into under subsection (a), he shall, as soon as practicable after making such determination notify the individual of such determination. If with 60 days after the date of giving such notice, such individual is not practicing his profession in accordance with the agreement under such subsection and has not provided assurance satisfactory to the Secretary that he will not knowingly violate such agreement again, the United States shall be entitled to recover from such individual—

(1) in the case of an individual who has received a grant under [this section,] *this section (as in effect prior to October 1, 1985)*, an amount determined under section 338D(b), except that in applying the formula contained in such section "ϕ" shall be the sum of the amount of the grant made under subsection (a) to such individual and the interest on such amount which would be payable if at the time it was paid it was a loan bearing interest at the maximum legal pervailing rate, "t" shall be the number of months that such individual agreed to practice his profession under agreement, and "s" shall be the number of months that such individual practices his profession in accordance with such agreement; and

(2) in the case of an individual who has received a loan under this section, the full amount of the principal and interest owed by such individual under this section.

AUTHORIZATION OF APPROPRIATIONS

SEC. 338F. [(a)] There are authorized to be appropriated for scholarships under this subpart $75,000,000 for the fiscal year ending September 30, 1978, $140,000,000 for the fiscal year ending September 30, 1979, and $200,000,000 for the fiscal year ending September 30, 1980. For the fiscal year ending September 30, 1982, and each of the two succeeding fiscal years, there are authorized to be appropriated such sums as may be necessary to make 550 new scholarhip awards in accordance with section 338A(d) in each such fiscal year and to continue to make scholarship awards to students who have entered into written contracts under the Scholarship Program before October 1, 1984. [For the fiscal year ending September 30, 1985, and for each of te two succeeding fiscal year, there are authorized to be appropriated such sums as may be necessary

to continue to make scholarship awards to students who have entered into written contracts under the Scholarship Program before October 1, 1984.] *the fiscal year ending September 30, 1986, and each of the two succeeding fiscal years, there are authorized to be appropriated such sums as may be necessary to make 150 new scholarship awards in accordance with section 338A(d) in each such fiscal year and to continue to make scholarship awards to students who have entered into written contracts under the Scholarship Program before October 1, 1988.*

[(b) Of the sums appropriated under this section (1) 90 percent shall be obligated for scholarships for medical, osteopathic, and dental students, and (2) 10 percent of such 90 percent shall be obligated for scholarships for dental students.]

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